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STATE FOR WHA/CAR JROSHOLT; EB/IFD/OIA FOR J. NATHANIEL HATCHER AND
GREGORY N. HICKS
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SUBJECT: SURINAME: INVESTMENT CLIMATE STATEMENT 2009

REF: 08 STATE 123907

¶1. (U) Post submits the 2009 Investment Climate Statement for
Suriname.

OPENNESS TO FOREIGN INVESTMENT

¶2. The Government of Suriname (GOS) welcomes Foreign Direct
Investment (FDI) into the country and has on several occasions
identified it as key in achieving sustainable development. The
country's 2006-2011 Multi-Year Development Plan assumes that 50% of
its financing will come from FDI. In 2007, the Ministry of Trade and
Industry sought to make foreign investment more attractive by
shortening the time required to obtain licenses. In 2008, Suriname -
as a member of the CARIFORUM - signed an Economic Partnership
Agreement (EPA) with the European Union

¶3. In 2005 Suriname's Central Bank and its Debt Management Office
embarked on an aggressive program to repay the country's outstanding
bilateral debt. In 2008 Suriname repaid all debts, except those owed
to Brazil and the United States. In late 2008, the Government of
Suriname reportedly entered into negotiations to repay their
outstanding debt of US\$ 115 to the Government of Brazil. Pending
approval, the two governments tentatively negotiated that the
penalty interest will be remitted, Suriname will pay US\$ 25 million
in cash, and the remaining debt estimated at US\$ 60 million will go
into a debt-for-investment proQm. Should this deal materialize,
Suriname's only outstanding debt will be with the UQed States.

¶4. In its 2Q9 "Doing Business Report," the World Bank ranked
Suriname 146th out of 181 economies - a decrease from their 2008
ranking of 142. The ranking decrease can be solely attributed due
to the addition of three additional countries to the list rather
than any significant change from 2008 to 2009. The report once again
cites the lack of improvement in Suriname's efforts to make its
market more attractive and accessible to foreign investors. The
rating is primarily influenced by factors such as the time required
to start a business, the protection of investors, the enforcement of
contracts, the ease of doing business, and procedures for closing a
business. The GOS continues to dispute these conclusions.

¶5. According to the GOS and outside sources, the time it takes to
start a business in Suriname is approximately 60 days -- not 694
days as stated in the World Bank report. While it does take longer
to establish a limited liability company (LLC) in Suriname, the GOS
allows companies to operate while waiting for LLC status. While the
World Bank report states that it takes 431 days to get a business
license, the Ministry of Trade and Industry issues new licenses and
extends previously-issued licenses within 30 days of their approval
by the Ministry. According to officials at the Ministry of Trade
and Industry and members of the Chamber of Commerce, long wait times
for licenses are reportedly due to missing information during the

application process.

¶16. In 2008, both Fitch and Standard & Poor's again reaffirmed their positive credit ratings for Suriname. In its July 2008 rating report, Fitch noted that the GOS' conservative bilateral debt repayment plan significantly improved the country's solvency and improved its capacity to borrow money abroad. Even though it rated the country as stable, Fitch did issue some stern warnings; according to the rating agency, the country remains too vulnerable to price shocks in the commodities market and weak macroeconomic policies and poor improvement in structural reforms also threaten Suriname's credit position.

¶17. In its April 2008 rating summary on Suriname, Standard & Poor's identified, among Suriname's strengths, the progress the country has made in maintaining its macroeconomic stability, the concentrated effort to improve debt management as demonstrated by the gradual clearance of bilateral arrears and an improving debt profile, and the favorable economic prospects stemming from strong interests by foreign investors in Suriname's main sectors. The agency also identified areas for improvement: institutional weaknesses; an open, commodity-based economy exposed to adverse external developments; and policy reversal risks stemming from the government's inability to maintain macroeconomic discipline throughout vulnerable political and economic cycles.

¶18. The outlook Standards & Poor's gives for Suriname is stable based on the expectation of continuous prudent fiscal and monetary stances. Future improvement in the country's creditworthiness will be based on the government's success in using the positive growth outlook to reform the economic structure, bring robustness and strategic planning into policymaking, improve the efficiency of the public sector, and put in place a regulatory framework to ensure policy continuity, therefore minimizing political risks.

¶19. In its 2008 Article IV Consultation Report, the International Monetary Fund (IMF) Executive Board welcomed the improvements in economic policies in recent years which -- supported by a favorable external environment -- have contributed to higher economic growth and lower inflation, a sizeable buildup of international reserves, a decline in public debt, and improved bank supervision. The IMF Directors have, however, stressed that the double digit inflation in 2008 may have formed a risk. The directors also warned against the credit growth that emerged in recent years and advised the GOS to issue either treasury or central bank bills, or to raise the reserve requirement, in order to bring credit growth to more sustainable levels. The Directors also recommended strengthening the monitoring of public enterprise operations to lower fiscal risks, and broadening of the coverage of public debt statistics to include debt that is not contracted or guaranteed by the central government. They welcomed the efforts made by the government to reduce its external debt, ongoing efforts to reform customs administration, income tax, and investment legislation.

¶110. In its 2008 Overview of the Economies of Latin America and the Caribbean, the Economic Council for Latin America and the Caribbean (ECLAC) predicts that, given the current world economic crisis, the economies of the region will see their growth rates decline. The Council predicts that Suriname's gross domestic product growth rate will decrease from an average of 5 percent between 2006 and 2008 to 3 percent in 2009. Although this is a significant decrease caused primarily by the drop in world demand for Suriname's primary export commodities of oil and alumina, Suriname's GDP is still expected to grow above the approximate 1.4 percent average of the Caribbean Region.

¶111. As of January 2009, all investments, both foreign and local, are covered by trade laws that govern daily trade in the country. The Ministry of Finance has repealed the 2001 Investment Law completely, terminating all available facilities under this law. A new investment law is being prepared. Larger, multi-million dollar investments are still able to get some incentives through negotiations with the ministries in their respective sectors.

¶112. The judicial system upholds the sanctity of contracts; however, the processing of cases can be severely constrained by a shortage in judges in the country. The Ministry of Justice and Police has made it one of its priorities to improve the functioning of the Court

System. As of January 2009, there are 14 sitting judges in Suriname.

In 2008, 4 new judges were installed, one retired but was later reinstalled, and the President of the Court of Justice retired. Recognizing the needs for judges, the Ministry has initiated an active system of training for judges. In January 2009, 7 participants completed the judges training course; two of them were installed as judges in 2008, while the Ministry of Justice and Police is currently preparing the paperwork to have the other 5 installed as judges by the President of Suriname.

¶13. There is no economic or industrial strategy that has a discriminatory effect on foreign-owned investments, with the exception of the oil sector. The law dictates that this sector must be state-owned and therefore the State Oil Company is granted sole ownership of all the country's oil-related activities. Access to this sector is possible, however, through exploration and production-sharing agreements with the State Oil Company. No other sector requires, under Suriname law, state or local ownership. The only requirement is that the foreign company registers its operations in Suriname.

¶14. Political pressures, however, may impact proposed foreign investments. After approximately five years of negotiations, a palm oil investment deal with the Chinese company China Zhong Heng Tai fell through. The GOS was unable to convince the local population to go along with the investment plan presented by the firm. The local population objected to the plan because it feared that the company would bring in Chinese employees to do the work, taking away job opportunities from the locals. Objections were also politically motivated since the local population held the current coalition member, A Combination, to its campaign message that the Chinese company's presence could negatively impact the area.

¶15. There are no limits on foreign ownership or control of a company. Like local companies, foreign companies must register with the local Chamber of Commerce and Industry in Suriname (KKF). When registered as a local company with foreign ownership, the local operation is considered a branch operation.

¶16. Screening of investments occurs in all sectors and at all levels for both local and foreign investments. Screening does not serve to impede investments, limit competition, protect domestic interests, or discriminate against foreign investment. Smaller and medium-sized investments are screened through the Chamber of Commerce (KKF) upon registration. Larger/major investments go through an additional screening by the ministry presiding over the sector in which the investor would want to invest. That ministry will usually establish a commission to review the potential investment. In this process, investors must submit registration documents from the appropriate chamber of commerce in the country where their headquarters is located. Limited liability companies must also submit their articles of incorporation. Larger/major investors must go through additional steps and provide financial documentation to the ministry in charge of the sector of their investment. In cases of very large investments, such as the mining sector, the respective ministry will establish a negotiation team that will negotiate the terms under which the investor can operate in Suriname.

¶17. Caribbean Single Market and Economy (CSME) countries theoretically have MFN status over other foreign investors; however, in light of the need for foreign investment in most Caribbean economies, it is highly unlikely that larger international firms would be denied investment opportunities in practice. The EPA signing with the European Union has also given European companies better market access to the CARIFORUM countries.

¶18. The GOS has a number of parastatals. Three parastatals were initially identified for privatization. These were: Stichting Machinale Landbouw(SML)(former rice producer), Bruynzeel (wood processing), and Stichting Behoud Bananen Sector (SBBS)(bananas). The Stichting Machinale Landbouw(SML)(former rice producer) was divided up and sold. Bruynzeel (wood processing) later decided not to privatize. The banana company, SBBS, has not yet been privatized but has the call for bids out; the GOS has shown a strong preference for a foreign investor to take over this company. The government is currently negotiating with several foreign companies on the future of SBBS. Foreign investors are not just allowed to participate in these privatization programs from the bidding stage, but are

strongly encouraged to participate in the bidding process. Written with the assistance of international consultants, the bidding criteria for privatization are clear.

¶19. There is no discrimination specifically targeted at foreign investors at the time of the initial investment or after the investment is made, such as through special tax treatment, access to licenses, approvals or procurement. In practice, different investors (both foreign and local) are offered different deals at the discretion of the GOS represented by the ministry negotiating the deal. Furthermore, in major investments, investment benefits are usually obtained through negotiations with the government and can change depending on sector and the company's negotiating strength.

¶20. There are no laws or regulations specifically authorizing private firms to adopt articles of incorporation or association which limit or prohibit foreign investment, participation or control.

¶21. There are no other practices by private firms to restrict foreign investment, participate in, or control domestic enterprises. To the contrary, objections have been made that the government will give preference to foreign companies over local companies in the same sectors. These objections have been particularly vocal in cases involving Chinese companies.

¶22. While the economy is expected to remain heavily dependent on the export of commodities from the mining sectors, the GOS has recognized the need to further diversify the economy. Specific areas identified for economic expansion are: tourism (particularly eco-tourism, small-ship cruise tourism, and hotels), agriculture, forestry, and Information and Communication Technology (ICT). Seen as an important tool for investment, improved access to Suriname is also on the list of government priorities. Surinam Airways, the state-owned airline, recently started offering flights to the United States with a stop in Aruba. The company intends to start the process of obtaining all necessary certifications to fly directly to the United States. The airline recently leased two new planes that will be flying the regional routes, which it intends to expand. Its primary competitor on the regional routes, Caribbean Airlines, now also offers daily flights to and from Suriname.

¶23. Suriname's ability to maintain economic and monetary stability, along with relative political calm has kept the investment climate in Suriname relatively attractive. But events in the world economy have forced the two major players in the bauxite sector, SURALCO, a fully owned subsidiary of the alumina giant ALCOA, and BHPBilliton, to halt any further expansion investments. BHPBilliton announced in 2008 that it will be exiting Suriname's bauxite sector as of 2010. In January 2009, SURALCO's preliminary layoff discussions with union leaders were reported in the media; these layoffs are alleged to threaten the future of up to 400 employees. Meanwhile, there were advances in investment in the oil, gold, telecommunications, and tourism sectors in 2008.

¶24. In 2008 the oil sector encountered several highs and a low. In the State Oil Company's quest for oil offshore, its Spanish counterpart, Repsol YPF, commenced the drilling of the first test well. Results of this drill were inconclusive for the occurrence of oil. Repsol YPF stated that it would not exclude the occurrence of oil, but that the soil had proven to have a very difficult configuration making it harder to find the oil. On the positive side, the Danish and Japanese counterparts, Maersk Oil and Teikoku, respectively, commenced 3D seismic research in their offshore blocks. The research will be conducted by the largest purpose built seismic vessel in the world, the Geo Celtic, owned by Fugro Norway. The State oil Company also opened up a new bidding round for 2 new blocks that have become available offshore. Onshore, the State Oil Company commenced a US\$ 25 million 2D seismic study to expand its onshore reserves. The State Oil Company also entered the final drawing phase for the expansion of its refinery. The estimated US\$ 400 million expansion will not only expand the company's refined production, but will also expand the company's product line. Also active in the offshore sector are the U.S. companies Murphy Oil and Occidental Oil. These companies are still conducting their 2D exploratory research.

¶25. The 2007 liberalization of the telecommunications sector brought two new players to the market, Digicel and Uniq. In 2008 the domination of the market by the state-owned Telesur came under serious pressure from rival Digicel. Telesur did, however, manage to hold on to its market leader position. Instant messaging between the three companies remains impossible as Telesur has refused to provide the necessary assistance to establish these services. Telesur is also the monopoly internet provider in Suriname.

¶26. In 2008 Surgold, the joint venture between Newmont Mining Corporation (United States) and the ALCOA subsidiary SURALCO started its official negotiations with the GOS for the establishment of a gold refinery in southeastern Suriname. The reserves in the area are estimated at 3 million troy ounces. The GOS has shown an interest in becoming an active partner in this operation. Rosebel Goldmines, the subsidiary of the Canadian Iamgold, far exceeded its own expectations for the first half of 2008 by producing 154,000 troy ounces at gross income of US\$ 138 million. The company also invested US\$ 46.2 million in the expansion and optimization of its production capacity. This project is expected to be completed by April 2009. In 2008 Rosebel Goldmines invested approximately US\$ 9.9 million in exploration. Current reserves are estimated at 8.7 troy ounces. At current world market prices, gross income of these reserves is estimated at US\$ 7.8 billion.

¶27. 2008 brought some major changes for the bauxite sector. Alcoa subsidiary SURALCO pulled out of the 3-way negotiations with the GOS and BHPBilliton in early 2008 for the concession rights to Suriname's last major reserves in West Suriname's Bakhuy's Region. The GOS set up its own mining company Alumsur in mid-2008 that is supposed to serve as an active partner to any further developments within the bauxite sector of Suriname. Negotiations between the GOS and BHPBilliton broke down in October 2008 on the concession rights for the Bakhuy's Reserves. Three weeks following this breakdown in talks, BHPBilliton announced that it would shut down all its operations in Suriname in 2010 once it has completed its mining activities in the Kaaimangrasie and Klaverblad mines. The company cited various reasons, including developments in the world market for this major decision. The move by BHPBilliton leaves the 45 percent share of the bauxite refinery co-owned with SURALCO, one of the most productive in the world, available. Based on the joint venture agreement between SURALCO and BHPBilliton, SURALCO has first option to purchase these shares in 2010. The GOS has started negotiations with Alcoa to obtain part of these shares. These negotiations are ongoing. An announcement by Alcoa that it would cut 13,500 employees worldwide is also expected to have far reaching effects on Suriname. Up to 400 employees may lose their jobs in 2009 based on January 2009 media reports of preliminary layoff discussions with union leaders.

CONVERSION AND TRANSFER POLICIES

¶28. There are no restrictions on converting or transferring funds associated with an investment (including remittances of investment capital, earnings, loan repayments, lease payments) into a freely usable currency at a legal market clearing rate. Permission is required from the Foreign Exchange Commission to transfer any funds associated with a business or investment out of Suriname. There have been no changes, nor are there plans to change, remittance policies pertaining to the access to foreign exchange.

¶29. In 2008 the Foreign Exchange Commission repealed the General Decrees 106 of 1960 and 153 of 1977. General Decrees are the laws that govern Foreign Exchange in Suriname. Under the new General Decree 217 of 2008, the Foreign Commission decided that it is now permissible for banking institutions to open accounts for non-residents, and conduct transactions, on behalf of these non-residents, in all foreign currencies for which the Central Bank of Suriname has an official exchange rate vis-a-vis the Surinamese Dollar. The documents of accounts, however, should clearly indicate the country of residency and the place in country of residency of the headquarters of the non-resident. The general license does not apply to transactions of foreign currencies originating from the exports of minerals and/or transactions that are the result of such an export, unless a special license is granted or another law permits so. The banking institutions are required to provide the Central Bank of

Suriname all necessary information regarding any transactions in order to assist in the Central Bank's oversight responsibilities of foreign exchange transfers to and from Suriname as well as ease the balance of payments with other countries. The non-residents should have access to their funds by any means, even through transfer, at all times.

¶30. There is usually no difficulty in obtaining foreign exchange. There are some periods of the year when there is a shortage that the Central Bank labels as being primarily speculative. These are usually periods of higher than normal demand when local foreign exchange companies hold on to the foreign currency in order to drive up the price.

¶31. The delay period varies for remitting investment returns such as dividends, return of capital, interest and principal on private foreign debt, lease payments, royalties and management fees. Permission must first be obtained from the Foreign Exchange Commission, and the time needed to process the request depends on the sector and the amount to be transferred. Transfers through the banking system can take anywhere ranging from same-day transfers to one week. Investors can remit through the legal parallel market. A source of origin must be declared, however, in cases where the incoming or outgoing amount exceeds US\$ 5,000 or 5,000 Euros. No limitation exists on the inflow or outflow of funds.

¶32. Average inflation for 2008 was 15 percent, up from 8.4 percent in 2007, and 5.6 percent in 2006. Within the basket of goods used to calculate inflation, transportation and consumable goods showed the greatest movement. Transportation was primarily influenced by the increasing world market price for fuel and automotive parts. Consumable goods were heavily influenced by the increasing world prices and increases in the cost of transport of goods. The increase in the value of the Euro has also had a negative impact on the prices of consumable goods as most are imported from European Union countries.

EXPROPRIATION AND COMPENSATION

¶33. The GOS is granted authority for expropriation under Article 34 of the Constitution. According to the article:

"property, of the community as well as of private persons, shall fulfill a social function. Expropriation shall take place only for reasons of public utility according to the rules to be laid down by law and against previously assured compensation. Compensation need not be previously assured if, in case of emergency, immediate expropriation is required. In cases determined by or in virtue of the law, the right to compensation shall exist if, in case of public interest, the competent authority destroys or renders property unserviceable or restricts the exercise of property rights."

No one sector is at a greater risk for expropriation; however, Article 41 of the Constitution does specifically refer to all natural riches and resources being the property of the nation and states that the nation has inalienable rights to take complete possession of all natural resources in order to utilize them for the needs of the economic, social and cultural development of Suriname. However, there have been no expropriation actions in the recent past nor policy shifts that would lead one to believe that expropriation might take place. There are no examples of "creeping expropriation" or government action tantamount to expropriation.

¶34. The crude oil sector is entirely state-owned. The Petroleum Law of 1990 allows state enterprises to enter into contracts with third parties for the prospecting, exploration and exploitation of petroleum, subject to approval by the government. Under the Mining Decree of 1996, the mining rights for radioactive minerals and hydrocarbons can only be obtained by state-owned enterprises.

DISPUTE SETTLEMENT

¶35. Suriname's legal system is based on the Dutch Civil System. Laws are laid down in criminal, civil, and commercial codes and verdicts are based on the judge's interpretation of these codes. There is no government or political interference in the judicial system, and

judges are generally considered to be impartial.

¶36. Every effort is made to settle investment disputes outside the court system. Due to a shortage of judges, it can often take up to a year to have a case heard once it is entered on the docket. Numerous continuances often lead to a cumbersome process which takes several years to reach a resolution. There have been no publicly known investment disputes over the past few years involving U.S. or other foreign investors or contractors in Suriname.

¶37. Judgments of foreign courts are accepted and enforced by the local courts only if Suriname has a legal treaty of jurisprudence with the foreign country involved. If not, the foreign judgment can be brought before the Surinamese court for consideration as long as the court determines it has jurisdiction and doing so does not otherwise violate any Surinamese laws. Suriname has no legal treaty of jurisprudence with the United States. With Suriname's participation and membership in the Caribbean Court of Justice, judgments from this court are also binding for local courts. Cases have been successfully filed against Suriname before the Inter-American Court of Justice and the Organization of American States. Judgments from these courts have been upheld by the Surinamese legal system.

¶38. Suriname has consistently applied its commercial and bankruptcy laws. Companies have a right to file for bankruptcy with the courts. All debts are subsequently filed with a trustee as appointed by the court. The judge may declare bankruptcy in cases where there are a minimum of two creditors. In cases where there is a loan from a commercial bank, payment on this loan takes precedence. Monetary judgments are made in local currency, unless the contract or agreement stipulates otherwise.

¶39. The government accepts binding international arbitration only if it is stipulated in the contract or agreement and if it does not contradict any local laws. International arbitration is accepted as a means for settling disputes between private parties, but only if local alternatives have been exhausted. Most agreements involving foreign companies have clauses that clearly stipulate the laws applicable to the agreement.

¶40. Suriname has been a member of the 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards since 1964 when the country was still a Dutch territory. At independence in 1975, Suriname automatically continued its membership in international conventions and treaties.

PERFORMANCE REQUIREMENTS AND INCENTIVES

¶41. Suriname is a member of the World Trade Organization. Suriname does not impose any performance requirements, nor does it provide any performance incentives, that would be inconsistent with Trade Related Investment Measures (TRIMS) requirements.

¶42. No performance requirements are imposed as a condition for establishing, maintaining or expanding the investment, or for access to tax and investment incentives. There are no requirements that investors purchase from local sources or export a certain percentage of output. Both local and foreign investors, however, have found it useful to purchase from local sources and import only those goods unavailable on the local market. Larger companies (e.g., the mining companies) have signed contracts for the delivery of products that are not readily available on the market. In the case of foreign investments, no requirements exist that nationals own shares or that the share of foreign equity be reduced over time, or that technology be transferred. Suriname does not impose any "offset" requirements, which would force foreign suppliers to invest in manufacturing, R&D, or service facilities in order to receive procurement approvals. With regard to the telecommunications sector, the government did require newcomers Digicel and Uniq to deposit US\$ 1 million each in a performance bond as a guarantee that the companies would provide the services for which they had requested licenses.

¶43. In order to operate a company, investors must obtain a special industry license. There are no special requirements on percentage of local content or equity. No requirements exist for substitution for imports, nor for export targets. Investors are not required to

use specific employment agencies, nor to transfer technology or use local sources of finance. In order for an investor to receive permission to hire a foreign national, the investor needs to prove to the Ministry of Labor that every effort was made to hire a host country national first. The rule does not, however, apply to specialists; in that case the company is free to use whomever it deems necessary for the operation of the company. The specialists must have work permits.

¶44. Exceptions have been made to the requirement that Surinamers be hired first. The GOS has signed contracts with Chinese companies for construction and infrastructural projects which, through negotiations, included in the contracts the stipulation that Chinese nationals be allowed to enter Suriname to work in jobs host country nationals could have performed.

¶45. As part of the regulatory approval process, investors are required to disclose their source of funds to the government.

¶46. U.S. and other foreign firms are welcome to participate in research and development. Larger foreign investors, such as the Alcoa subsidiary, SURALCO, have played a major role in the establishment and maintenance of research facilities at the Anton de Kom University (Suriname's only university).

¶47. There are no excessively onerous visa, residence or work permit requirements inhibiting foreign investors' mobility. Foreigners who want to work in Suriname need to apply for a residency permit first at the Ministry of Justice and Police, after which they can apply for a work permit at the Ministry of Labor. The free movement of artists, university graduates, media workers, musicians, and sports persons of CARICOM origin is arranged through the CSME regulations. CSME regulations also provide for the free movement of those wanting to establish or conduct business within the community.

¶48. Non-tariff barriers on both imports and exports include: proof of residency, registration with the Chamber of Commerce, registration numbers from the Inspectorate of Customs, and tax identification numbers from the Tax Office of the Ministry of Finance. Under the 2003 Law on the Movement of Goods, "negative lists" were created by the Ministry of Trade and Industry for both imports and exports. In theory, anything can be imported or exported without a license unless it is included on the "negative lists." Items included on the "negative lists" may only be imported with special permission from the government.

¶49. Tariff barriers include consent and statistical fees charged in addition to regulatory import duties. An amendment was made on the issue of consent fees in 2008 as the Foreign Exchange Commission, through General Decree 216, waived all consent fees in all cases where the Ministry of Finance has already exempted or suspended import duties. Imports from countries outside CARICOM, except the European Union, are subject to increased import duties due to the Common External Tariff (CET) adopted by CARICOM members. Imports are subject to a 7 percent turnover tax as stipulated under the 1997 Law on Turnover Tax. Exports are subject to consent and statistical fees. Companies in the bauxite sector pay a 2 percent statistical fee on both imports and exports. In the gold sector the royalties are 2.25 percent with an additional 6.25 percent if the price of gold exceeds US\$ 425 per troy ounce. A statistical fee of 0.5 percent is also applied on the export of timber (except to CARICOM countries).

¶50. CSME regulations also prevent its members from importing products from outside the Community if the same quality goods can be produced or delivered by fellow member states by a pre-set deadline, not taking price into account. Violation could lead to a case being filed at the CARICOM Secretariat.

¶51. In October 2008 Suriname as a member of the CARIFORUM signed an Economic Partnership Agreement (EPA) with the European Union. Under this agreement the CARIFORUM countries have agreed to have all goods from CARIFORUM states, except rice and sugar, enter the European market duty and quota free. Parties have also agreed on a three year moratorium before reducing import duties on goods imported from the European Union. CARIFORUM states will therefore not start reducing import duties on European goods until 2011. In 2011, they will introduce a gradual scheme of reduction where duties will be reduced

over a period of 25 years. Parties have also agreed that in order to protect the fragile economies of the CARIFORUM states 13.1 percent of goods imported from the EU will be placed on an exclusions list, meaning that duties will never be reduced/ eliminated on these products. Parties have further agreed to extend to each other any treatment or benefit that is provided to a third party through a Free Trade Agreement (FTA) signed after this EPA.

RIGHT TO PRIVATE OWNERSHIP AND ESTABLISHMENT

¶52. Foreign and domestic private entities have the right to establish and own business enterprises and engage in all forms of remunerative activity. Once private entities have registered their business with the Chamber of Commerce (KKF) they have the right to freely acquire and dispose of interests as they see fit. Competitive equality is the standard applied in competition between private enterprises and public enterprises with respect to access to markets, credit, and other business operations, such as licenses and supplies. In practice, private enterprises even have better access to markets and credit since they are more flexible and have a less bureaucratic decision-making hierarchy.

PROTECTION OF PROPERTY RIGHTS

¶53. Secured interest in property, both movable and real, are recognized and enforced. The concept of mortgages exists and mortgages are registered by the Mortgage Office. Acquisition and disposition of all property rights are protected and facilitated by law.

¶54. Even though Suriname is a member of the World Trade Organization (WTO) and, since 1975, a member of the World Intellectual Property Organization (WIPO), it has not ratified the Trade Related Aspects of Intellectual Property Rights (TRIPS) agreement. While Suriname is officially party to the following international agreements on intellectual property rights, which came into force when it was still a colony of the Netherlands, there is little or no adherence to these agreements since they are not incorporated into the country's legislation:

- the Paris Convention for the Protection of Industrial Property (1883)
- the Berne Convention for the Protection of Literary and Artistic Work (1886)
- the Hague Convention concerning the International Deposit of Industrial Designs (1925)
- the Nice Agreement concerning the International Classification of Goods and Services for the Purpose of Registration of Marks (1957)
- the Strasbourg Agreement concerning the International Patent Classification (1971)

¶55. The Ministry of Justice and Police presides over the Bureau for Intellectual Property Rights and has on several occasions mentioned its intent to improve the country's legislation on this issue. So far, however, intellectual property rights have not received a high-level of attention from legislators. A basic Intellectual Property Rights law was prepared in 2004 and presented to the National Assembly. This law, however, never made it on the legislative agenda for discussion and approval. Subsequently, the law was retracted for revisions and has not yet been resubmitted. More advanced and specialized legislation (e.g., brand and music piracy, industrial property and associated rights) was supposed to be added to the basic legislation once it was approved.

¶56. The current legal framework for discussing copyrights, patents, and trademarks dates back to 1912 and 1913, and is an amendment to a previously written law. Neighboring rights (related rights) in copyrights, geographical indications, industrial designs, utility models, layout designs of integrated circuits, undisclosed information, or new plant varieties remain unprotected.

¶57. The WTO TRIPS agreement has been neither implemented nor enforced even though the Ministry of Justice and Police has indicated its intention to do so. Suriname has signed the WIPO Internet Treaties, but has not ratified them.

TRANSPARENCY OF THE REGULATORY SYSTEM

¶58. In 2008 Suriname became the headquarters of the CARICOM Competition Commission. The Ministry of Trade and Industry is currently preparing the necessary legislation to set up its own Competition Authority. Once this legislation has passed, the Ministry of Trade and Industry will establish the Competition Authority.

¶59. No tax, labor, environment, health and safety, or other laws or policies, are purposely used to impede investments. This does not, however, mean that they do not form obstacles for investment. Labor laws, for instance, prohibit employers from firing an employee without the permission of the Ministry of Labor, once the employee has fulfilled his or her probationary period. Tax laws have also been criticized for overburdening the formal business sector while there is an entire informal sector, estimated to be roughly twice the size of the formal economy, which goes untaxed.

¶60. Bureaucratic procedures, including those for licenses and permits, are neither sufficiently streamlined nor transparent. The large number of civil servants involved in the process of granting licenses not only makes it a lengthy process, but also invites corruption. Both the World Bank, through its "Doing Business Report," and Standard & Poor's have identified the government's involvement in the real economy as an undue burden that not only undermines policymaking transparency but gives rise to corruption. Even though the Ministry of Trade and Industry has made an effort to cut through the red tape and work have licenses signed within 3 weeks of the approval date, delays continue to occur and it continues to be a tedious process.

¶61. Laws and regulations are drafted in consultation with the relevant stakeholders in both the public and private sectors. After this, they are presented to the Council of Ministers for discussion and approval. Once approved, they are sent to the President's advisory body, the State Council, for approval before being presented to the National Assembly for discussion, amendment, and approval.

¶62. All regulatory processes go through the government. Nongovernmental organizations have an advisory role in some instances. Legal, regulatory and accounting systems are transparent and consistent with international norms.

¶63. In 2007 a Standards Bureau was officially established. In its first year of operation the Standards Bureau primarily focused on hiring qualified personnel and organizing seminars on the topic.

EFFICIENT CAPITAL MARKETS AND PORTFOLIO INVESTMENT

¶64. Sufficient policies exist to support the free flow of financial resources in the product and factor markets. Credit is allocated on market terms and at market rates. Once established as a business in Suriname, foreign investors are able to get credit on the local market, usually with a payment guarantee from the parent company. The private sector has access to a variety of credit instruments. Larger companies can obtain customized credit products.

¶65. Lending rates have remained relatively stable over the past year. The corporate lending rate for the local currency has floated between 10.5 percent and 14 percent, depending on the project and client. The lending rate for US dollars and Euro loans is 9.5 percent.

¶66. The local stock market has eleven companies and meets only once a month, with very few shares being traded. Trade in shares of these companies dropped by 90 percent in 2008 with only 11,000 shares changing hands. This compared to the 140,000 shares traded in 2007. A number of companies in the stock market are interrelated through ownership by one major holding company. This is not to prevent hostile takeovers, as there has never been one in Suriname. The stock market regulates itself through an investment fund established by one of the insurance companies. International portfolio investment is possible through another insurance company and this falls under the regulations of the Central Bank. The regulatory

system is effective but there is little incentive in such a small stock market to have portfolio investment.

¶67. Even though Suriname's banking sector is considered sound, the IMF has given some stern warnings on the level of non-performing loans in the system. According to the IMF Executive Board, the increase in world prices for food and fuel prices have certainly contributed to inflation, as has the growth in domestic demand. This demand growth has also spawned an increased demand for loans. The Executive Directors have even called on the Government to tighten macroeconomic policies. They have recommended the issuance of treasury or central bank bills, or the raising of the reserve requirement. The majority of these nonperforming loans are at the smaller government-owned banks. The three larger commercial banks have kept their nonperforming loans to a minimum at international standards.

¶68. The estimated total assets for the three major commercial banks were:

- DSB Bank (per June 30, 2008): US\$ 544.5 million
- Hakrinbank (per June 30, 2008): US\$ 308.4 million
- RBTT Financial Group Limited (per March 31, 2008): US\$ 8.921 billion.

(Figures for RBTT Bank Suriname are only recorded in the consolidated figures of the holding company and are not individually available. In 2008 this bank officially merged with the Royal Bank of Canada.)

POLITICAL VIOLENCE

¶69. There have been no incidents over the past few years involving politically motivated damage to projects and/or installations. In November 2007, 25 defendants went on trial for the "December 1982" murders of 15 prominent citizens. The main defendant is former military dictator and current Chairman of the largest opposition political party, the National Democratic Party (NDP), Desi Bouterse.

Bouterse had vowed to destabilize the government if the trial proceeded. Throughout 2008 Bouterse was the instigator of numerous allegations towards several members of government, particularly the Minister of Justice and Police. Although these episodes may have created media flurries, they did not lead to political violence.

CORRUPTION

¶70. No U.S. firms have reported corruption as a major obstacle to foreign direct investments. Suriname has signed and ratified the Inter-American Convention Against Corruption. Suriname has not yet signed or ratified the UN Anti-Corruption Convention. The country is

not a signatory to the Organization for Economic Co-operation and Development (OECD) Convention on Combating Bribery.

¶71. The Ministry of Justice and Police is responsible for combating corruption. The Fraud Department of the National Police is in charge of investigating corruption cases. The government has also established an Anti-Corruption Working Group at the ministerial and technical levels to assist the police in combating corruption. No international, regional, or local nongovernmental anti-corruption "watchdog" organization operates in Suriname.

¶72. Suriname does not have special anti-corruption legislation in place, but the penal code does refer to anti-corruption. The Ministry of Justice and Police has drafted anti-corruption legislation which has been placed on the National Assembly's agenda for discussion. The anti-corruption measures in the penal code are being enforced, with the bulk of those prosecuted for corruption to date being civil servants. Corruption is most pervasive in the areas of government procurement, land policy, and taxation.

¶73. Accepting or giving a bribe is a criminal act, which is punishable by a fine or a prison sentence of three months to five years, depending on the severity and/or amount of the bribe. A bribe to a foreign official is considered a criminal act and cannot be deducted from taxes.

¶74. Although senior government officials take anti-corruption

efforts seriously, there is a widespread perception of corruption in the executive branch of the government. In 2008, members of both the governing coalition and the opposition continued their allegations that the Minister of Physical Planning, Land and Forest Management and the Speaker of the National Assembly were involved in the illegal issuance of government land titles. In 2008, the former Minister of Public Works was convicted and sentenced to two years imprisonment for corruption. Six civil servants of the Ministry of Finance were convicted of fraud. The two lead suspects were sentenced to three and a half years each, a fine of SRD 100,000 (US\$ 35,714) and repayment of profits from their transactions, estimated at SRD 300,000 (US\$ 107,143) each. The four other suspects were sentenced to nine months, fines of SRD 50,000 (US\$ 17,857) each and repayment of profits from transactions.

BILATERAL INVESTMENT AGREEMENTS

175. Suriname has bilateral investment treaties with Indonesia and the Czech Republic. In 1993, Suriname signed an Agreement on Bilateral Trade Relations with the United States. This agreement has not been ratified by the National Assembly.

176. Other international agreements into which Suriname has entered are as follows:

- a double taxation treaty with the Netherlands and the Netherlands Antilles.
- a trade agreement with the People's Republic of China (1998)
- the Treaty of Chaguaramas, which established the CARICOM and subsequently led to the creation of the CARICOM Single Market and Economy.
- trade agreements by virtue of CARICOM membership with Venezuela, Costa Rica, Brazil, Cuba, the Dominican Republic, and Colombia.
- trade promotion treaties with Indonesia, India, and China.
- CARIFORUM - E.U. Economic Partnership Agreement (This EPA also has some provisions for investment between the 2 regions.)

OPIC AND OTHER INVESTMENT INSURANCE PROGRAMS

177. Suriname is one of the signatories establishing the Multilateral Investment Guarantee Agency (MIGA). Currently there are no Overseas Private Investment Corporation (OPIC) programs in operation in Suriname. In the event OPIC should pay an inconvertibility claim, the official currency exchange rate for the U.S. Dollar is SRD 2.80 for US\$ 1. This is the same rate used by the Embassy. The estimated annual U.S. dollar value of local currency that will be used by the Embassy is US\$ 1.6 million. The exchange rate has remained stable for the past few years and is not expected based on precedent and market watchers to devalue or depreciate in 2009.

LABOR

178. Labor unions in Suriname are independent of the government, but play an active role in politics. Most labor agreements are signed without any problems. In 2008 various unions such as teachers, bus drivers, and air traffic controllers, airport fire fighters, and judiciary staff all went on strike independent of each other. Suriname's labor laws adhere to the ILO conventions protecting workers' rights. The law on work permits states that foreign companies should give priority to local nationals, but in some cases, the government and the companies agree on certain ratios of local/foreign staff. Officially, companies can hire foreigners to work only if there are no qualified local workers available, and foreign workers must obtain a work permit. The exception to this is CARICOM companies, which since January 2006, can operate in the Surinamese market without having to apply for work permits for their management. The GOS has also signed contracts with Chinese companies which included in the contracts the stipulation that Chinese nationals be allowed to enter Suriname to work in jobs host country nationals could have performed.

FOREIGN TRADE ZONES/FREE PORTS

179. There are no duty free trade zones, duty free import zones, or

duty free ports in Suriname.

FOREIGN DIRECT INVESTMENT STATISTICS

¶80. Recent data on the value of foreign direct investment -- Source for the data is the 2008 World Investment Report

FDI Inflow in millions of US\$

2005	2006	2007
399	323	316

According to the same report, Suriname had no Direct Investment Abroad between 2004 and 2007.

FDI Flows as a percentage of Gross Fixed Capital Formation

	2005	2006	2007
Inward	30.8	21.0	18.3
Outward	--	--	--

FDI Stock as percentage of GDP

	1990	2000	2007
Inward	--	--	--
Outward	--	--	--

¶81. A list of major foreign direct investments in Suriname follows:

Maersk Oil, Denmark, has commenced its 3D seismic study of its offshore block. This phase is expected to cost US\$ 50 million.

Teikoku, Japan, works in cooperation with Maersk Oil and will also be commencing its 3D seismic study. Teikoku will be investing US\$ 15 million.

Newmont Mining Co. and Alcoa, both U.S. companies, are working together in a joint venture company, Surgold N.V., on exploration and exploitation of gold in southeastern Suriname. An estimated US\$ 118 million will be invested in further exploration, development and expansion, while approximately US\$ 334 million will be invested in setting up a new refinery.

Iamgold (Canada) through its subsidiary Rosebel Goldmines is investing US\$ 56.1 million in enhancing its production system and exploration.